

Protecting Your IP Is (No Surprise) Even Harder in the Cannabis Business



Asking the federal government for a patent or trademark on anything cannabis related is harder than with ordinary IP.

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Cannabis is a nascent industry where uncertainty and novelty reign, which much too often cause entrepreneurs forget important considerations – think entity formation, employee benefits, patents, etc. – until it's too late.

One such topic that is frequently neglected in the marijuana industry is protecting intellectual property. As the cannabis

industry matures, and disputes over IP arise, many businesspeople are now looking to protect their inventions and overall IP. Here's what experts say are the big concerns and the available options.

Regulatory complexity makes everything harder in cannabis.

Ownership of IP in the cannabis industry is fraught with issues that are "compounded by unclear regulations," says Dariush Adli, founder and president of the ADLI Law Group, which advises cannabis entrepreneurs on patents, trademarks, copyright and trade secrets.

"IP protection offers cannabis businesses the opportunity to obtain exclusivity for their innovations; brands; graphical works and writings; and proprietary trade and business information and know-how," Adli says. In basic terms:

- Patents protect products, processes, designs and business methods.
- Tradenames and logos brand cannabis products.
- Copyright protects writings and graphics describing and depicting cannabis products and processes.
- Trade Secret law is used for protecting valuable technology and proprietary trade information.

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The cannabis IP 'land grab.'

Josh Camitta, co-founder of MJ Arsenal, says "the full scope of IP in the cannabis space won't truly unfold for years to come," which makes it a ripe opportunity for those who navigate the tumultuous cannabis industry.

“Even as states come fully on-board with legalization, this is still very much the Wild West,” Camitta says. “With the chaos that comes standard in any Wild West scenario, it provides opportunity to those who have either created, or are looking to create, the next consumable, apparatus, tool or process. IP will eventually become a land grab as we see in other, more established industries.”

Stephen Konigsberg, legal counsel and managing director for Tikun Olam, adds: “The idea behind trademarks in particular is very confusing and nuanced. Federal trademark protection is difficult, if not impossible, because you can only trademark for something that is considered ‘lawful use in commerce’ under the Federal trademark act. As cannabis is federally illegal – technically you cannot trademark cannabis specific items. Certain strategies have been developed to overcome this.”

Don’t skimp on IP protection.

Adli says IP protection is available and businesses should realize it can provide them with a competitive edge at a cost that is “relatively modest.”

However, he warns entrepreneurs that “obtaining IP protection is often contingent on avoiding premature disclosure until certain steps have been taken to preserve the protection option.”

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Don’t act, or fail to act, because of misinformation.

Camitta said that in the early days of the cannabis industry people believed their products couldn’t be patented,

which led the MJ Arsenal team to think the same. In reality, the company's glass products were most certainly patentable.

"Furthermore, you are fully able and allowed by law to patent things that are even illegal," he says. "Patents do not have to prove their own use in commerce, this is one of the biggest differences in terms of IP hurdles when comparing patents to trademarks. Trademarks, by the letter of the law, have to be federally lawful in their categorical/real world use."

Instead of worrying you can't protect your product, worry that your idea will be stolen if you don't, Camitta warned.

"Always assume you will have 10 different companies trying to knock off your product," he says. "Keep that in mind during every facet of the product development process. What makes yours the best, the most sought after, the hardest to replicate? Make it not only the category creator, but the leader."

Step one is hiring a good IP attorney.

First off, engage an IP attorney to evaluate all aspects of your business and identify the potential aspects that can be protected by IP. Second, with the help of the IP attorney, decide which aspects are worth the investment to obtain the protection, Dr. Adli suggests.

Protect yourself creatively is more than just a legal process, Camitta said. "Protect yourself by constantly creating new features, products, and offerings. Getting ahead of the curve is great. It's those who can stay in front of that curve that find themselves worrying less and less [about the particular design of a particular product]."

In addition, Camitta says, "be aggressive in your IP strategy. This angle is a delicate balance between the pragmatist and

the optimist in all of us. Having the confidence to spend several thousands of dollars protecting an idea before it sees the light of day is a tough pill to swallow for most people. By the same token, patent rights are all about getting your 'place in line.' There are a multitude of strategies to keep costs low while still ensuring blanket coverage for your unique concept.

"Consider your IP portfolio an extension of your insurance policies. You hope to never need them, but damn will you be glad if and when you do," he concludes.

You can never be too early.

Jeffrey D. Welsh, is the founder of Frontera Law Group, a boutique law firm specializing in the legal cannabis industry. For him it's all about trademarking your products early.

"I always recommend applying for federal or state trademark registration at the outset of starting a cannabis business," he says. "We've seen more than a few clients work extremely hard to establish a cannabis brand, only to have an application for trademarks meet repeated, and, in some cases, insurmountable, obstacles. The reason for this is the first thing an Examining Attorney working for the United States Patent and Trademark Office (USPTO) will do upon receiving a new trademark application is simply searching the internet and social media for the mark sought to be protected. If, in that search, the Examining Attorney finds a cannabis-related website, press releases, Instagram pages, or product reviews, the response to the trademark applicant reads something along the lines of: 'So you're telling us that your business involves the sale of a Schedule I Controlled Substance, please tell us more!'"

"With this in mind, it's wise to apply for a trademark before launching a website or social media handles," he adds. "The application can be filed on an 'intent-to-use' basis, which

signals the USPTO that the mark is not currently being used in commerce, but will be shortly.”

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